
Distribution Charging Methodology Forum (DCMF) Minutes
Tuesday 22 March 2016
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Gregory Edwards	(GE)	British Gas
Joanne Parker	(JP)	Scotia Gas Networks
Jonathan Trapps	(JT)	Northern Gas Networks
Robert Wigginton*	(RW)	Wales & West Utilities

Apologies

Craig Neilson	(CN)	National Grid Distribution
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*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dcmf/220316>

1. Introduction and Status Review

1.1 Review of Minutes

The minutes of the previous meeting (24 November 2015) were approved.

2. Allowed and Collected DN Revenue (MOD0186 Reports)

Summaries of individual positions were given by each DN.

2.1 Scotia Gas Networks (SGN)

JP gave a short presentation on SGN's key revenue changes since their last report.

This included the price forecast for 2020/21; major movements for RPI following the 2016 Treasury update, with a downward forecast for 2016-2019; a lower debt forecast; an update of the CNI impact and allowance which has been changed and costs moved back into the TOTEX line to reflect final allowances; the final Fuel allowance update effective from April 2016; a REPEX Tier 2a forecast update in Southern 2015/16 onwards; an update on the NTS Exit Capacity indicative increase in Southern costs; updated forecasts in line with 2016/17 Final Shrinkage Proposals and an update on the collected revenue positions. JP clarified that Table 6, had been updated to try and make it clear that SGN are not anticipating any reopeners

JP explained, in terms of the changes, the RPI decrease by 0.4% in 2016, had the most significant impact and highlighted a large interference damage incident on the Scotland Network, which had affected Shrinkage.

2.3 Northern Gas Networks (NGN)

JT gave a brief presentation on the key revenue change movements observed since the previous report. He highlighted that the most significant changes related to inflation, which had come down since December, and other pass through costs. He confirmed the NTS Exit Capacity costs have been updated to provide the latest view and Shrinkage had been updated to reflect the latest market prices. He also highlighted that the actuals had been added to the report for the received rated bill 2016/17 and actuals for the Pension deficit.

GE enquired about the Pension deficit and why there was movement. JT explained that this is reviewed every 3 years and updated yearly to reflect inflation.

JT confirmed a separate table on rate sensitivity is currently being worked on. He explained a review takes place every 5 years and a new valuation will be provided effective from April 2017. It was anticipated, based on indicative views, this could go up significantly and could increase up to 25%. The allowed revenue would have a 2% impact on price change.

2.4 Wales & West Utilities (WWU)

RW provided a presentation on the key changes to the reports.

He confirmed that the NTS Exit Capacity costs had increased significantly between May 2015 indicatives and January 2016 indicatives, due to the Supply Matching Merit order reducing the model input from Milford Haven, reflecting the demand outlined by the Demand Estimation Sub Committee review of seasonal normal demand in December 2015. The merit order lists LNG as a high priority source to meet demand whereas previously short term storage was considered a low level priority. This has had a significant impact on WWU, resulting in large true up costs along with increased forecast costs in T+2 onwards. Not enough Gas was coming into the system from the LNG terminal to supply the Wales Network making prices very volatile as capacity was made available from other locations. RW explained this impacted South Wales exit point cost movement of up to 14,200% for current 327% from May indicatives.

He confirmed that work is being conducted to understand where the weaknesses are in the demand models and that the NTS Charging Forum will be examining this further. This was one of the reasons that WWU had not supported a number of the proposed changes in Modification 0517 but would support a further review to ensure its customer were not being unduly disadvantaged by the current process.

RW highlighted that a £3m cost increase, which had not been allowed for, would require a true up in costs in two years time. It was anticipated that a significant peak would occur, with forecast price increases of 53.4% in 2018/19 and a further 44.2% in 2019/20. WWU expected to apply to Ofgem to increase costs in due course.

RW reported that the Forward Gas Price was relatively stable and this had been reflected with lower Shrinkage costs passed onto the consumer.

He confirmed WWU would be submitting a reopener for 2018 for increased site security, which has not yet been included in the PCFM forecast. Smart Metering and FGO costs remain as a challenge to reliably estimate as there is not enough data at present to the extent this will affect prices but this is being continually monitored.

RW also reported that the RRP NIA is forecast to the maximum allowance set, but early indications suggest this may be £250k below this figure. This will result in an over collection in 2015/16 and a reduced allowance in 2017/18.

2.2 National Grid Distribution (NGD)

A representative from National Grid Distribution was not present to provide the report summary. Please refer to the Mod0186 Report summary - National Grid Distribution published at: <http://www.gasgovernance.co.uk/dcmf/220316>

3. Any Other Business

3.1 CV measurement innovation project

BF advised in the absence of Craig Neilson that National Grid and Northern Gas Networks are leading an innovation project to look at the issue of CV measurement in an environment where there are multiple injections of gas directly into the distribution networks; currently renewable biomethane. The impact of biomethane plants will have an increasing impact on CV and potentially the end customer, as well as shrinkage. National Grid proposed to update Shippers on the progress of this

innovation project and to engage with Shippers on distributed gas related CV issues such as this one at future Shrinkage Forums.

3.2 Attendance

JT expressed concern about dwindling attendance levels. The Workgroup briefly considered today's attendance noting a better attendance in November. The potential Easter break was considered to have an impact however this would be monitored with a view to encouraging better attendance.

4. Review of Actions

DCMF1101: DNO's to consider potential FGO related impacts and how best to report these going forward.

Update: JT believed DNs would have a better view at the next meeting on what is happening. The forum agreed to keep a watching brief on developments to ensure any aspects are considered. It was agreed to close the action with a view to raising a more informed action or a new issue to address any identified areas. **Closed.**

5. Diary Planning for Workgroup

Details of planned meetings are available at: www.gasgovernance.co.uk/Diary.

The following meetings are scheduled to take place:

Time/Date	Venue	Workgroup Programme
10:30, Tuesday 28 June 2016	Solihull (venue to be confirmed)	<i>To be confirmed</i>
10:30, Tuesday 27 September 2016	Solihull (venue to be confirmed)	<i>To be confirmed</i>
10:30, Tuesday 10 January 2017	Solihull (venue to be confirmed)	<i>To be confirmed</i>

Action Table (22 March 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DCMF 1101	24/11/15	3.1	To consider potential FGO related impacts and how best to report these going forward.	DNOs	Closed